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ANE (Cayman) Inc.

安能物流集團有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock code: 9956)

INSIDE INFORMATION
KEY FINANCIAL AND PERFORMANCE INDICATORS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024

This announcement is made by ANE (Cayman) Inc. (the “**Company**” together with its subsidiaries the “**Group**”, “**we**”, “**our**” or “**us**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

To enable shareholders, investors and the general public to better appraise the operational performance of the Group, the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company announces certain selected unaudited key financial and performance indicators of the Group for the three months ended September 30, 2024 (the “**Reporting Period**”), together with comparative figures for the same period of 2023.

FINANCIAL HIGHLIGHTS

For the three months ended September 30, 2024, the Group recorded the following unaudited results:

	For the three months ended September 30,		Year-to-year change
	2024	2023	
	(unaudited)	(unaudited)	
	RMB'000	RMB'000	
Revenue	3,044,183	2,511,671	21.2%
Gross profit	476,308	285,758	66.7%
Adjusted pre-tax profit	284,136	204,077	39.2%
Adjusted net profit	218,457	170,655	28.0%
Profit for the period	189,620	151,985	24.8%

BUSINESS HIGHLIGHTS

We operate a leading express freight network in China's less-than-truckload (“LTL”) market. Express freight network operators, like us, are LTL service providers who have nationwide coverage, and deliver timely and comprehensive freight transportation services.

With the implementation of the effective scaled growth strategy with equal emphasis on profitability and quality to enhance our brand strength in 2024, we continuously upgrade our service to better fulfill the demand of our end customers. Adhering to the guidance of the Five Most goals of “most optimal cost, most superior quality, most stable timeliness, most timely service response, and most dense network coverage”, we are rigorously implementing the following measures to continuously ensure high quality and sustainable growth.

- To improve the operational efficiency of our distribution center and freight network, drive cost reduction, maintain product competitiveness as well as to raise the Operating Profit Margin with continued expense management through further lean management.
- To strive for the realization of the Five Most goals through the Group's smallest granular unit, the “outlet”, improving our overall service quality and efficiency, optimizing the fulfilment standards during all stages for various types of customers.
- To continue to focus on customer value, strengthening support for our network ecosystem through precise pricing tools and upgrading the training and digitalized systems of our freight partners and agents so as to cultivate long term growth and retention, deepening our network coverage and increasing freight volume.
- To further invest in the construction of digitalized infrastructure in order to deepen the granularity of our digitalized operations and thereby empower our freight partners and agents to unlock their efficiency and enhance their potential.

Through continuously implementing our quality growth strategy, we have achieved outstanding results for the three months ended September 30, 2024, maintaining a leading position in China's LTL market while leveraging our nationwide network with comprehensive and diverse product offerings.

- For the three months ended September 30, 2024, we have completed shipment of a total freight volume of 3,734 thousand tonnes, compared to 3,152 thousand tonnes in 2023, increasing by 18.5%. In terms of freight weight mix structure, the freight volume of mini freight (≤ 70 kg), light freight (70 – 300 kg) and bulk freight (> 300 kg) increased by 37.3%, 22.6% and 6.6% respectively, which collectively led to the year-on-year increase of total freight volume.
- By the end of September 2024, we had approximately 32,000 freight partners and agents, compared to over 28,000 freight partners and agents by the end of September 2023, enabling us to better serve shippers while expanding nationwide coverage.

- For the three months ended September 30, 2024, we recorded a total number of 45,914 thousand shipments, compared to 33,302 thousand shipments for three months ended September 30, 2023, representing a year-on-year growth of 37.9%.
- In terms of service quality, both of our loss rate (number of lost units per hundred thousand units) and complaint rate (number of complaint shipments per hundred thousand shipments) had further decreased to 0.03 and 39.2 respectively for the three months ended September 30, 2024. As of timeliness, the average shipment time of September 2024 had been optimized to less than 64 hours.

FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this announcement.

Our results of operations are affected by the total freight volume. The following table sets forth our total freight volume and unit economics of our key operating and financial metrics for the periods indicated:

	For the three months ended		Year-to-year change
	September 30,	2023	
	2024		
Total freight volume ('000 tonnes)	3,734	3,152	18.5%
Total shipments ('000)	45,914	33,302	37.9%
Freight weight per shipment (kg)	81	95	-14.7%
Unit price for transportation services (RMB/tonne)	423	456	-7.2%
Unit price for value-added services (RMB/tonne)	180	130	38.5%
Unit price for dispatch services (RMB/tonne)	212	211	0.5%
Unit price for total services (RMB/tonne)	815	797	2.3%
Unit line-haul transportation cost (RMB/tonne)	297	317	-6.3%
Unit sorting centre cost (RMB/tonne)	140	168	-16.7%
Unit cost of value-added services (RMB/tonne)	42	24	75.0%
Unit cost of dispatch services (RMB/tonne)	208	197	5.6%
Unit cost of revenues (RMB/tonne)	687	706	-2.7%
Unit gross profit for value-added services (RMB/tonne)	138	106	30.2%
Unit gross profit for dispatch services (RMB/tonne)	4	14	-71.4%
Unit gross profit (RMB/tonne)	128	91	40.7%
Unit adjusted pre-tax profit (RMB/tonne)	76	65	16.9%
Unit adjusted net profit (RMB/tonne)	58	54	7.4%

Consolidated statement of profit or loss for the three months ended September 30, 2024 – unaudited

	Three months ended	
	September 30,	
	2024	2023
	RMB'000	RMB'000
Revenue	3,044,183	2,511,671
Cost of revenue	<u>(2,567,875)</u>	<u>(2,225,913)</u>
Gross profit	476,308	285,758
Other income and gains, net	14,831	72,931
General and administrative expenses	<u>(221,513)</u>	<u>(157,102)</u>
Operating profit	269,626	201,587
Finance costs	(13,257)	(16,258)
Fair value changes of financial assets at fair value through profit or loss	<u>(1,070)</u>	<u>78</u>
PROFIT BEFORE TAX	255,299	185,407
Income tax expenses	<u>(65,679)</u>	<u>(33,422)</u>
PROFIT FOR THE PERIOD	<u>189,620</u>	<u>151,985</u>
Attributable to:		
Owners of the parent	188,789	147,641
Non-controlling interests	<u>831</u>	<u>4,344</u>

Revenue

During the Reporting Period, we derived our revenue from transportation services, value-added services and dispatch services. The following table sets forth a breakdown of our revenue for the periods indicated:

	Three months ended September 30, 2024		2023	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Transportation	1,578,301	51.9%	1,437,311	57.2%
Value-added services	673,693	22.1%	409,131	16.3%
Dispatch services	792,189	26.0%	665,229	26.5%
Total revenue	3,044,183	100.0%	2,511,671	100.0%

Our total revenue increased by 21.2% from RMB2,511.7 million for the three months ended September 30, 2023 to RMB3,044.2 million for the three months ended September 30, 2024, primarily driven by the increase in our freight volume from 3,152 thousand tonnes for three months ended September 30, 2023 to 3,734 thousand tonnes for three months ended September 30, 2024, and the increase in our unit price for total services from RMB797/tonne for the three months ended September 30, 2023 to RMB815/tonne for the three months ended September 30, 2024.

In the long run, since we will keep strategic focus on LTL business and the FTL business will only remain as a supplement of LTL business to better utilize our fleet, we will disclose the revenue as a whole including both LTL business and FTL business.

Cost of revenue

Our cost of revenue primarily consists of costs for (i) line-haul transportation, (ii) sorting centre, (iii) value-added services, and (iv) dispatch services. The following table sets forth a breakdown of our cost of revenue and as a percentage of our total cost of revenues for the periods indicated:

	Three months ended September 30, 2024		2023	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Line-haul transportation	1,110,781	43.2%	1,000,190	44.9%
Sorting centre	523,008	20.4%	529,144	23.8%
Value-added services	156,316	6.1%	74,298	3.3%
Dispatch services	777,770	30.3%	622,281	28.0%
Total	2,567,875	100.0%	2,225,913	100.0%

Our cost of revenue increased by 15.4% from RMB2,225.9 million for the three months ended September 30, 2023 to RMB2,567.9 million for the three months ended September 30, 2024, which was mainly due to (i) the increase in our line-haul transportation cost from RMB1,000.2 million for the three months ended September 30, 2023 to RMB1,110.8 million for the three months ended September 30, 2024, (ii) the increase in our value-added services cost from RMB74.3 million for the three months ended September 30, 2023 to RMB156.3 million for the three months ended September 30, 2024, and (iii) the increase in our dispatch services cost from RMB622.3 million for the three months ended September 30, 2023 to RMB777.8 million for the three months ended September 30, 2024, which are in line with the revenue growth of transportation, value-added services and dispatch services, respectively.

Gross Profit and Gross Profit Margin

For the three months ended September 30, 2024, the gross profit and gross profit margin was RMB476.3 million and 15.6%, respectively, as compared to RMB285.8 million and 11.4%, respectively, for the three months ended September 30, 2023.

The increase in gross profit was mainly driven by (i) the decrease in our unit line-haul transportation cost from RMB317/tonne for the three months ended September 30, 2023 to RMB297/tonne for three months ended September 30, 2024, (ii) the decrease in our unit sorting centre cost from RMB168/tonne for the three months ended September 30, 2023 to RMB140/tonne for the three months ended September 30, 2024, and (iii) the increase in our unit gross profit of value-added services from RMB106/tonne for the three months ended September 30, 2023 to RMB138/tonne for the three months ended September 30, 2024. Although our unit gross profit of dispatch services was affected by our “3300-product policy” (3300 產品政策) which means that special dispatch charges would be exempted for freights weighting from 3 kg to 300 kg, our network ecosystem achieved significant improvement, and thus, our unit gross profit increased from RMB91/tonne for the three months ended September 30, 2023 to RMB128/tonne for the three months ended September 30, 2024. The increase in gross profit margin was mainly driven by the above-mentioned reasons.

General and Administrative Expenses

Our general and administrative expenses increased from RMB157.1 million for the three months ended September 30, 2023 to RMB221.5 million for the three months ended September 30, 2024, which was mainly due to (i) increase in salaries and other benefits due to the accrual of employee bonuses for the year, (ii) increase in share-based payment expenses and (iii) increase in business operating expenses during the period due to different schedules for major marketing events.

Other Income and Gains, Net

We recorded other income and gains of RMB14.8 million for the three months ended September 30, 2024, as compared to RMB72.9 million for the three months ended September 30, 2023. The change was primarily due to the expiration of weighted deduction of VAT policy leading to absence of gains on weighted deduction of value-added tax.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit of RMB201.6 million for the three months ended September 30, 2023 increased to an operating profit of RMB269.6 million for the three months ended September 30, 2024. Our operating profit margin of 8.0% for the three months ended September 30, 2023 increased to an operating profit margin of 8.9% for the three months ended September 30, 2024, which was mainly due to the above-mentioned reasons.

Finance Costs

Our finance costs decreased by 18.5% from RMB16.3 million for the three months ended September 30, 2023 to RMB13.3 million for three months ended September 30, 2024, which was mainly due to the decrease in interest on bank and other loans because we repaid part of the loans for the purchase of trucks and other bank loans in advance as we accumulated excess cash from operations.

Fair Value Change of Financial Assets at Fair Value through Profit or Loss

The fair value change of financial assets at fair value through profit or loss for three months ended September 30, 2024 was loss of RMB1.07 million, as compared to profit of RMB0.08 million for the three months ended September 30, 2023.

Income Tax Expense

We recorded income tax expense of RMB65.7 million for the three months ended September 30, 2024, as compared to income tax expenses of RMB33.4 million for the three months ended September 30, 2023, primarily due to an increase in current income tax in line with our growing profits.

Profit for the Reporting Period

As a result of the foregoing, we recorded a net profit of RMB189.6 million with a net profit margin of 6.2% for the three months ended September 30, 2024, as compared to a net profit of RMB152.0 million with a net profit margin of 6.1% for the same period of 2023.

NON-HKFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with HKFRS, we also use adjusted net profit for the period (a non-HKFRS measure) and adjusted pre-tax profit (a non-HKFRS measure), as additional financial measures, which are not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of these non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

The following table sets out our non-HKFRS measures, and a reconciliation from profit for the period to adjusted net profit and adjusted pre-tax profit for the period (two non-HKFRS measures) for the periods indicated.

	For the three months ended	
	September 30,	
	2024	2023
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Profit for the period	189,620	151,985
Add:		
Shares-based payment expenses ^{Note}	<u>28,837</u>	<u>18,670</u>
Adjusted net profit for the period	<u>218,457</u>	<u>170,655</u>
Add:		
Income tax expense	<u>65,679</u>	<u>33,422</u>
Adjusted pre-tax profit for the period	<u>284,136</u>	<u>204,077</u>

Note: Share-based payment expenses relates to the share rewards we granted to our employees, non-cash item.

	For the three months ended	
	September 30,	
	2024	2023
	(unaudited)	(unaudited)
	(%)	(%)
Net profit margin	6.2	6.1
Adjusted net profit margin	7.2	6.8
Adjusted pre-tax profit margin	9.3	8.1

Liquidity and Financial Resources

The Group's cash and cash equivalent was RMB1,644.5 million as at September 30, 2024. The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of income was from its ordinary course of business, including payments received from its customers.

CAUTION STATEMENT

The Board wishes to remind shareholders of the Company and investors that the above financial and business data are based on the Group's internal records and management accounts and have not been reviewed or audited by the auditors.

Any forward-looking statements contained herein are not guaranteed of future performance. Rather they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company and are difficult to predict, that will or may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Therefore, such information is provided to shareholders and potential investors as interim information for reference only. The data shown above do not constitute nor should they be construed as invitations or offers to buy or sell any securities or financial instruments of the Company. Nor are they intended as the offer of any investment services or advices. Shareholders of the Company and investors are cautioned not to unduly rely on such information and are advised to exercise caution when dealing in the securities of the Company. When in doubt, investors are advised to seek professional advice from professional or financial advisers.

By Order of the Board
ANE (Cayman) Inc.
Mr. Chen Weihao and Mr. Qin Xinghua
Co-Chairmen

Hong Kong, November 14, 2024

As at the date of this announcement, the Board comprises Mr. Qin Xinghua and Mr. Jin Yun as executive Directors; Mr. Chen Weihao, Mr. Zhang Yinghao and Mr. Wei Bin as non-executive Directors; and Mr. Li Wilson Wei, Mr. Geh George Shalchu, Ms. Sha Sha and Mr. Hung Cheung Fuk as independent non-executive Directors.